

**REPORT OF THE TASK GROUP
ON THE PROPOSED CLOSURE
OF C F B SUMMERSIDE**

SUBMITTED TO:

**PREMIER GHIZ
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A. INTRODUCTION

1. **FUNDAMENTA IN FUTURUM** - (FOUNDATION FOR THE FUTURE - MOTTO OF CFB SUMMERSIDE) Never, it seems, has a motto been so far removed from reality. CFB Summerside has never had a foundation for the future, and that is precisely why it has been the subject of closure on numerous occasions since the Second World War. A decade of assurances by Base officials and the Federal Government that the future of the Base was secure have proven to be groundless. Even the current capital expansion program has not ensured the future of the Base.
2. With the release and eventual tabling of the recent Federal Budget, the decision to close CFB Summerside was made public. There was no prior consultation with the Provincial Government, the town of Summerside or surrounding communities, or it appears, the Base itself. The announcement was totally unexpected and the reaction was shock, outrage and disillusionment.
3. The decision to close CFB Summerside, coming as it did "out of the blue", was inconsistent with both claims of a secure future and the current capital construction program. Thus, the decision could only be viewed as ill-conceived, poorly

planned, and certainly without any awareness or understanding of the impact the decision would have on Summerside and environs, and the whole Province.

4. The Premier responded immediately with a letter to the Prime Minister protesting the decision and requesting reconsideration. Following this, the Premier announced the establishment of the Task Group to examine, review and address the impact of the closure decision, to review options on how to proceed to have the Federal decision rescinded and to recommend a course of action.
5. The Task Group consisted of two representatives of the Town of Summerside, Mayor Basil Stewart and Councillor Wayne Carew; a representative of the Greater Summerside Area Chamber of Commerce, Derek Key; a representative of the Minister of Industry, Mike Kelly; a representative of the Minister of Finance, Phil MacDougall; and a representative of the Premier, Keith Wornell, who acted as Chairman. The Task Group met in Charlottetown on the 1st of May, and in Summerside on the 5th, 10th, and 15th of May.
6. Given the time available, the Task Group could not address all aspects of the closure, but our report provides a basis for a strong rebuttal to the Federal decision.

B. THE CLOSURE DECISION

7. The Federal Budget documents indicate that the CFB Summerside closure is part of a larger budgetary/military decision. "...the government will close or reduce in size 14 military bases and stations across the country. There will be a slight reduction in the size of the Canadian Forces and the Defence Departments civilian work forces. In addition, a number of significant procurement programs will be cancelled, reduced in size or put on hold." ".....savings over the five year period will total \$2.7 billion".¹
8. Thus, the decision to close CFB Summerside is not unique in a Federal context, but as this Report will clearly illustrate, it is unique in a Provincial context. However, the fact that the CFB Summerside decision is only part of a larger issue will certainly complicate the arguments and the approach to have the decision "re-opened".
9. The decision to close CFB Summerside consists of:
- i) tracker flying operations will cease in 1990;
 - ii) the regular and reserve squadrons will be disbanded;
 - iii) the Search and Rescue Squadron will be moved to a Nova Scotia base and will operate a detachment in Charlottetown;
 - iv) the Recruiting Center and reserve support will continue in the Province;

¹ The Budget Speech, April 27, 1989, p.6.

- v) the Junior Leadership School will be transferred to another maritime base;
- vi) the Airborne Electronic Sensor Operators' Training School will be transferred to another maritime base.
- vii) the Base itself will be closed by 1992.

C. CFB SUMMERSIDE AS PART OF THE NATIONAL DEFENCE EFFORT

10. Table 1 gives some historical data on National Defence Expenditures.

TABLE 1

EXPENDITURES ON NATIONAL DEFENCE

	<u>\$ BIL</u> <u>NATIONAL</u> <u>DEFENCE</u>	<u>% OF</u> <u>BUDGETARY</u> <u>EXPENDITURES</u>	<u>% OF</u> <u>GROSS</u> <u>DOMESTIC</u> <u>PRODUCT</u>
1967-68	\$ 1.754	15.5%	2.5%
1977-78	3.776	8.4%	1.7%
1987-88	10.769	8.6%	2.0%

Despite seemingly large increases in absolute dollars, defence expenditures have been relatively constant in terms of per cent of the Federal Budget or in terms of per cent of G.D.P. Canada's Defence Expenditures, compared to other countries are relatively low in terms of Percentage of Gross Domestic Product and on a per capita basis.

11. The Wilson budget refers to \$2.74 bil. in spending reductions over the period 1989-90 to 1993-94, to be achieved by a "slower pace of implementation". Since there won't be any absolute budget cuts in National Defence, the issue is really one of tradeoffs - DND has traded-off Summerside for other military spending. However, CFB Summerside only accounts for approximately one half of one percent of total National Defence expenditures. The proposed closure of CFB Summerside would have an insignificant impact on the deficit. Actual cash savings would even be difficult to calculate.
12. However, CFB Summerside is a part of the National defence effort and if it is to have a secure future as a military base, it will have to play a meaningful and significant role within that national defence effort. It must have a foundation for the future. There is no sense in having the current closure decision overturned, only to have to fight the same battle next year, or the year after.
13. Solely on the basis of military cost-effectiveness, senior military opinion suggests that the Base has little military justification. This same opinion suggests that the military operational and strategic requirement for CFB Summerside is minimal and most of what operations do exist are there because the Base is there and not vice versa.

14. Every province now shares in the economic and social benefits of defence expenditure. The 1987 White Paper on Defence confirms the importance of military spending to all regions of the country. "The impact of defence spending is not confined to one area or sector, or to a narrow band of economic activity. It is, instead, felt throughout the entire economy and in all parts of the country...defence expenditures benefit all regions and economic sectors of the country."¹

With this decision to close CFB Summerside, Prince Edward Island would be the only province in this country to not benefit from defence expenditures. The above quote would be just hollow rhetoric, with no commitment to Prince Edward Island, only the challenge to Prince Edward Islanders to fight, as they have always done, to give more than their fair share to the defence of our country, but not to receive a fair share of benefits in return. This fact alone demands a special consideration for this Province.

¹ Challenge and Commitment, A Defence Policy for Canada, p.

15. Why a military base is in a particular location is only partially explained by geography and military strategic need. To a large extent, location and sustenance are acts of creation and political will. For example, if the histories of Greenwood and Summerside are compared, one has flourished and one is scheduled to close, and not solely because of strategic location.

D. THE ECONOMIC IMPACT OF CLOSURE

16. The economic impact of closure was addressed by examining the employment and income contributions of the Base. CFB Summerside provides direct employment to more than 1300, and with an annual payroll of more than \$40 million, distributed as follows:

TABLE 2**EMPLOYMENT AT CFB SUMMERSIDE (28 APRIL 1989)**

<u>EMPLOYEES</u>	<u>EXAMPLE OCCUPATIONS</u>	<u>NUM- BER</u>	<u>1988-89 PAYROLL</u>	<u>AVERAGE SALARY</u>
Military Employees including Reserves employed at CFB	Pilot Mechanics	945	\$32,940,000	\$34,857
Civilians	Secretaries Plumbers Cleaners	243 ¹	\$6,750,000	\$27,000
Full-time non public funded	Canex Garage, Store, Cooks, Bartenders	17	\$ 430,000	\$ 8,600
Part-time non public funded	Canex employ- ees, Garage Cooks	65 ²		
Temporary Assist- ance Program	Seasonal workers for 10 weeks who assist in a variety of occupations	34	(included in Civil- ians pay- roll)	
TOTAL		1,304	\$40,120,000	

1. The 34 temporary assistance employees were assumed to translate into 7 person years which were included in the civilian payroll.

2. The 65 part time jobs were assumed to be 32.5 person years.

SOURCE: CFB SUMMERSIDE.

These direct jobs are full time and relatively high paying - the average for military employees is almost twice the average for the Province. The 1304 direct jobs represent 2.4% of total Provincial employment.

Indirect employment approximates 1700 if one uses Canada Employment and Immigration multipliers; 1.25 for military personnel and 1.5 for civilian employment.

17. Thus, total employment due to the presence of the Base approximates 2900, or 5.3% of total Provincial employment.
18. This employment supports a population of approximately 5500; 2450 in military personnel, their spouses and children; and the balance in civilian direct and indirect, their spouses and children. Thus, 34% of the Summerside area population and over 4% of the Province's total population would be affected by the closure of CFB Summerside.
19. The salaries and wages paid by the Base, the operational expenditures to run the Base and the transfers to the Provincial and local governments total more than \$50 million. The following gives examples of potential employment impact if the Base were closed.

TABLE 3

POTENTIAL EMPLOYMENT IMPACTS

<u>INDUSTRY</u>	<u>POTENTIAL IMPACT</u>
Agriculture, Fishing and Food Processing	CFB Summerside procures milk, butter, ice cream, fish and meat from local suppliers. The processing sector will be affected as an important market for meat, poultry, dairy, fish and beverage products, will disappear. Almost \$500,000 is spent annually on local food procurement.
Transportation and Storage	CFB Summerside spent \$250,000 on the movement of furniture and effects. Closure of the Base could also impact on Marine Atlantic as Prince Edward Island population would decline.
Community and other Utilities	Prince County Cablevision could lose as much as \$225,000 (assume all military personnel have cable at a cost of \$20.00 per month: Basic cable is \$15.88; with TSN - \$20.83) Maritime Electric would lose \$820,000 in electricity for the Base as well as \$555,660 for those military personnel who live on or outside the Base. (The \$555,660 is based on 945 military personnel spending \$588 per family as estimated by Statistics Canada in 1986, publication 62-555). The Summerside utility would lose an additional \$250,000 in revenues. Island Telephone would lose \$347,760 for military personnel (based on \$368 per family) and \$150,000 from the Base.
Retail Trade Industries	All retail trade stores in the area would be affected: - food stores - shoe stores - clothing stores - household furniture and appliances - automotive vehicle parts and accessories - other retail stores Statistics Canada estimated a per capita retail sales of \$4,148 for Prince Edward Island in 1986. A loss of 2454 of military personnel and dependents as consumers results in a loss of more than \$10 million to the retail trade industry, with another potential loss of \$10 million through indirect effects. In addition, the Base expended \$915,000 on maintenance materials and \$382,000 on fuel.

Finance and Insurance Industries

Banks, credit unions and insurance companies will lose customers. The Insurance Bureau of Canada indicated that in 1986 Islanders spent \$47,200,000 in insurance premiums or \$372.69 per capita. Assuming 2,454 military personnel, spouses and children spent the per capita, over \$900,000 would be lost to local insurance companies with the potential of another \$900,000 lost in indirect effects.

Real Estate

CFB Summerside rents 198 units and paid a total of \$760,000 for Hillcrest units in 1988-89. The Base estimated that on a monthly basis 50-70 homes are for sale by the military or being purchased by the military.

Government Service Industries

With a decline in the population, taxes would be reduced as well as transfer payments received on a per capita basis.

Educational Services

Military personnel have 930 children. Undoubtedly, teachers in the Summerside area will be laid off. (Chamber of Commerce spokesman suggested possibly 28-30 teachers could be laid off). Closure could also impact on UPEI and Holland College.

Health and Social Services

The 1986 study by Serve Valade estimated approximately \$120,630 was spent on annual medical expenses for Base personnel.

Accommodation, Food and
Beverage Services

CFB Summerside estimated the Base spent \$204,000 on interim lodging/meals with military personnel moving on a regular basis. Statistics Canada estimated that Islanders spent \$380.17 per capita in restaurants in 1986. Assuming the 2,454 military personnel and their families spent the per capita estimate, then \$932,937 would be lost to restaurants, with the potential of another \$933,000 lost in indirect effects.

Other Service Industries (includes
amusement, barbers, laundries,
machinery, rental, automobile
rental, photographers, services
buildings and dwellings and
travel services)

This type of industry includes a broad variety of services. CFB Summerside procures janitorial services, laundering and tailor services at a cost of \$178,000 in 1988-89. Statistics Canada estimated that in 1984 Islanders spent \$13,185 per capita on services. Assuming the 2,454 military personnel and their families spent the per capita estimate, then \$7,815,990 would be lost to the various service industries, with the potential of another \$7.8 million lost in indirect effects. Furthermore, the Base spent \$1,034,000 in minor contracts for snow removal, coal handling and garbage removal as well as \$54,000 on water/sewage.

20. In addition, the Base has an annual capital program which directly impacts on the local construction industry. Every \$1.0 million expended on capital projects represents 19 full time jobs in the construction industry.

TABLE 4

COMPLETED OR UNDER IMPLEMENTATION
(OVER \$50,000) - FISCAL YEAR 1988/89

<u>PROJECT</u>	<u>COST</u>	<u>CONTRACTOR</u>
Construct new Combine Mess	7.356K	Williams, Murphy & MacLeod, St. Eleanor's, PEI
Renovate Hangar 5	1.215K	Maddix Construction Wellington, PEI
Roof Repairs Hangar 8	730K	Atlantic Roofers, Charlottetown, PEI
Upgrade Hangar 9 Door Panels	370K	Williams, Murphy & MacLeod, St. Eleanor's, PEI
Replace Concrete Floor Boards - Arena	330K	Maddix Construction, Wellington, PEI
Joint Sealing & Crack Repairs	375K	Roadsavers, Halifax, Nova Scotia
Install Steam Line to AMJ School	262K	Curran & Briggs, Summerside, PEI
Re-side Buildings 2, 5, and 54	245K	Star Construction Summerside, PEI
Replace 116 Furnaces, PMQ's	245K	Johnson's (1977) Ltd. Sherbrooke, PEI
Replace Conductor System Hangar 8 Doors	209K	Inman's Plumbing and Heating, St. Eleanor's, PEI
Install Base Security Fence - Phase 1	199K	Earl Redmond Inc. Pownal, PEI
Construct Sub-Station	181K	Maritime Electric
Construct Divider Wall Hangar 8	81K	M.F. Schurman, Summerside, PEI
Install Runway Signs	55K	Inman's Plumbing & Heating, St. Eleanor's, PEI
TOTAL	\$11,853,000¹	

¹ Historical annual average is approximately \$3.0 million.

21. In order to ascertain the overall economic impact of the Base closure, a more detailed study was undertaken on the greater Summerside area. The following describes the Study Area.

TABLE 5

STATISTICS ON SUMMERSIDE, 1986 (THE STUDY AREA)

	<u>POPULATION</u>	<u>LABOUR FORCE</u>
Linkletter	305	205
Miscouche	677	285
St. Eleanor's	3,743	1,930
Sherbrooke	567	325
Summerside	8,020	3,895
Wilmot	1,708	955
	15,020	7,595
	-----	-----
Lot 17	594	350
Summerside Census		
Agg. Area (C.A.)	<u>15,614</u>	<u>7,945</u>

The 1986 Labour Force Profile of the Study Area shows a heavy concentration in Government administration and wholesale/retail trade.

TABLE 6

LABOUR FORCE PROFILE
SUMMERSIDE C.A. 1986

Agriculture	260
Fishing	110
Forestry	25
Mining	15
Manufacturing	715
Construction	500
Transportation	390
Communications	150
Wholesale/Retail Trade	1,425
Finance, Insurance, Real Estate	195
Government Administration	1,700
Service to Business	200
Education	370
Health & Social Services	660
Accommodations, Restaurants	560
Other Services	525
Unclassified	145
TOTAL	7,945

Having looked at the occupational distribution of the Labour Force, the Task Group examined the degree of concentration of Air Base employment and income in the Study Area versus. the rest of East Prince County.

TABLE 7**Statistics on East Prince 1986**

	Total <u>East Prince</u>	(Study Area) <u>Summerside</u>	Rest <u>East Prince</u>
Population	30,548	15,614	14,934
Labour Force	15,345	7,945	7,400
Primary	2,290	415	1,875
Manufacturing	1,600	725	875
Construction	1,050	505	545
Transport. Comm.	1,185	540	645
Ret, W. Trade	2,380	1,430	950
Finance, Ins. R.E.	430	195	235
Government Admin.	2,170	1,690	480
Other Services	4,005	2,310	1,595
Air Base Employment as %	8.2%	15.1%	0.7%

Income Profiles

	<u>East Prince</u>	<u>Summerside</u>	Rest <u>East Prince</u>
Employment	237,182,000	139,060,000	98,122,000
U.I.	23,516,000	10,239,000	13,277,000
Fam. Allowance	3,309,000	1,760,000	1,549,000
C.T. Credit	2,612,000	1,292,000	13,277,000
O.A.S.	23,583,000	11,552,000	11,031,000
C.P.P.	8,028,000	4,396,000	3,632,000
Other Pension	10,347,000	6,253,000	4,094,000
Other Income	13,177,000	7,255,000	5,922,000
Total	\$320,154,000	\$181,807,000	\$138,947,000

TABLE 8

INCOME FROM AIR BASE

	<u>East Prince</u>	<u>Summerside</u>	<u>Other East Prince</u>
Airbase Payroll	39,160,000	37,596,000	1,564,000
Total Employment Income	237,182,000	139,060,000	98,122,000
As Per Cent.	16.5%	27.0%	1.6%
Total Income	320,754,000	181,807,000	138,947,000
As Per Cent	12.2%	20.7%	1.1%

22. It is obvious from this information that the economic impact of CFB Summerside is highly concentrated in the Study Area, directly accounting for 15% of total employment. It was estimated that **27% of total employment income** in the Study Area is **directly** from the Air Base payroll. 21% of all direct income results from the presence of the Base.

23. By using an economic base approach to calculate direct and generated income effects, it was estimated that the closure of CFB Summerside would result in a total loss of income of \$60 million to the Summerside area. Closure of the Base would remove 33% of income from the Summerside area - \$1 in \$3. This is a conservative estimate since our analysis has assumed that public sector employment and associated indirect employment would not decrease as a result of the closure of the Base.

TABLE 9

	(\$MIL)
<u>Total income in Summerside area</u>	<u>181.8</u>
Total income of Base Personnel in S'Side	39.5
Indirect Income from Base Employment	16.6
<u>Indirect Income from Operational Expenditure</u>	<u>3.6</u>
	59.7

24. The above surely speaks for itself. The closure of CFB Summerside would devastate the economy of Summerside and surrounding communities.
25. In addition to the income and employment effects, the Task Group also examined the fiscal implications on the Provincial Government and the Municipal Governments in the Study area. Approximately 40% of the Provincial Government's total revenue is established on population based formulae. If the Province's population is reduced as a result of the closure decision, then revenues will decrease. When effects on income tax, sales tax, property tax, etc. are added in, it is estimated that the Provincial Government's revenue will be reduced by more than \$20 million per year.
26. The major impact on local governments is the decline in the property tax assessment base.

TABLE 10

1988 ASSESSMENT DATA

	<u>TOTAL MARKET VALUE</u>	<u>MUNICIPAL TAX REVENUE</u>
Summerside	\$147,024,865	\$2,242,072
St. Eleanor's	58,390,461	382,054
Miscouche	8,591,187	41,978
Wilmot	39,639,286	156,744
Sherbrooke	16,386,146	23,525
Linkletter	6,303,568	7,564

The portion of the air Base situated in St. Eleanor's had a market value assessment of \$10,451,200, and paid \$74,000 in municipal taxes. 19% of St. Eleanor's municipal revenues now comes from the Base assessment and with the decline in market value assessment which will certainly follow the closure of CFB Summerside, it is estimated that St. Eleanor's will lose 40% of its tax revenues. Other communities, including Summerside, could experience a 20% decrease in local revenues as market values decline.

27. In summary, our assessment of the economic impact indicates the following negative impacts:

- i) 4 or 5% of total Provincial population would be affected:
- ii) 33% of the population of the Summerside area would be affected;
- iii) 5% of total Provincial Income would be affected;
- iv) 33% of the income of the Summerside area would disappear.

The 5% Provincial and 33% local impacts surface from a number of different approaches and are also consistent with the survey information collected by the Greater Summerside Area Chamber of Commerce.

E. THE SOCIAL IMPACT OF CLOSURE

- 28. While the economic impacts would be devastating, the social impact would be tragic, both in terms of the toll on non-military individuals and families directly affected, and the loss of community spirit, vibrancy and confidence. These impacts, while less quantifiable than the economic impacts, are no less real, and it is arguable that they are the most critical. Evidence available from other communities which have experienced such an economic blow only supports the view that the communities should expect the worst; personal trauma, family disruption, abuse and neglect, will inevitably result from the deteriorating economic situation.

29. CFB Summerside is an integral part of the social fabric of the greater Summerside area. Members of the military are active members in and supporters of most service, recreational, religious and cultural organizations, and their contribution is most significant to the continuation of many. Whether it is the United Way, the Boy Scouts, Saw Industries, or working with underprivileged kids, military personnel have provided leadership and countless hours of support.

F. THE ALTERNATIVES

30. There appears to be only four:

- i) The Federal decision is not changed and no replacement activity is offered or negotiated.
- ii) The Federal decision is not changed, but a replacement activity is effected so as to leave the economic base intact.
- iii) The Federal decision is changed, and the Base continues as is.
- iv) The Federal decision is changed, but the role of the Base is realigned.

31. Given the information gathered by our military advisors, it is highly unlikely that the Base could or will continue as is. The decision to retire the tracker aircraft pre-emptes the status quo, recognizing that the status quo does not include ongoing commitment, only the accumulation of ad hoc decisions.
32. Alternative i) would be totally unacceptable to the Province, being as it is the worst possible case. This basically leaves ii) and iv) as strategic options and of these two, it is recommended that iv) be pursued.
33. The Task Group did not have adequate time to fully examine alternatives for a realigned military role for CFB Summerside. This must be pursued in depth, if it is possible to move the Federal Government from its present position to close the Base. However, there is information available to suggest that a realigned role is possible. As mentioned paragraph 14, what is required is an expression of political will, a commitment to create and sustain a military presence in the Province.

G THE APPROACH TO OTTAWA

34. No amount of analysis on its own will cause the Federal Government to re-open the closure decision. The analysis can only support strong representation with good arguments, suasion will be equally as significant as reason.

35. The Task Group agreed that its three Summerside members arrange to meet a group of Ministers in Ottawa to start the suasion process. This initial approach has been made.

The purpose of this meeting was to present the information assembled by the Task Group - to educate, to soften the Federal position, and to generate public support both locally and nationally.

36. After this report is tabled with the Premier, the whole Task Group should meet in Ottawa with officials of those Ministries involved in or affected by the decision - e.g. Employment and Immigration, ACOA, the Deputy Prime Minister's Office, Fisheries and Oceans, Environment, and National Defence. Again, the purpose would be to educate, inform, and lay the groundwork for a formal request by the Province.

37. The Task Group recommends that this meeting be followed by a meeting between the Prime Minister (and his key ministers) and the Premier to lay the issue directly on the table, to negotiate a change in the Federal position. The keystone in the argument must be the economic and social devastation caused by the closure.

38. The Task Group recommends that this Report be made public.

H ACKNOWLEDGMENT

39. The Task Group wishes to express its appreciation to John Palmer of the Provincial Department of Finance and Carol Mayne of the Provincial Department of Industry for their most significant contribution to the data gathering and analysis; to Lorne Driscoll for administrative support and to Triton Strategies Inc. for its advice, and contribution in knowledge and experience.